

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 /108 W
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FM AMEMBASSY BERN
TO SECSTATE WASHDC 4153
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

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PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN SZ

SUBJ: SWISS FINANCIAL REPORT: WEEK MAR 27 - APR 2

1. SUMMARY: FOREIGN EXCHANGE MARKET WAS NERVOUS UNDER INFLUENCE OF SHORT-TERM SQUEEZE ON SWISS FRANCS. GOLD PRICE SLIPPED TO 148 IN PROFIT TAKING, SWISS NATIONAL BANK HELPED BANKS MEET MONTH-END REQUIREMENTS WITH SUBSTANTIAL SWAPS AND CREDITS, REFLECTED BY INCREASED MAR BALANCE SHEET. MONEY MARKET CONDITIONS MAY BE UNSETTLED UNTIL AFTER EASTER. COMBINED BALANCE SHEETS OF FIVE LARGEST BANKS IN 1976 EXCEEDED SWISS GNP. RETAIL SALES WERE UP 5.6 PCT IN FEB. END SUMMARY.

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2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE AGAINST SWISS FRANC SLIPPED TEMPORARILY TO SF 2.53 AT MID-WEEK DUE TO SHORT-TERM SQUEEZE ON FRANCS AS BANKS WERE CONCERNED ABOUT THEIR MONTH-END LIQUIDITY POSITIONS. OTHERWISE RATES WERE GENERALLY STABLE, FLUCTUATING WITHIN NARROW RANGE IN NERVOUS MAREKT. GOLD PRICE DIPPED TO 148 DUE TO PROFIT TAKING MOVES. RATES FOLLOW:

	3/28 (OPEN)	4/1 (CLOSE)
SPOT DOLLAR	2.5450	2.5435
FORWARD DISCOUNTS (PCT P.A.)		
ONE MONTH	2.12	1.79
2 MONTHS	2.98	2.15
3 MONTHS	2.12	2.06
6 MONTHS	2.06	2.12
12 MONTHS	2.60	2.51
12 MONTHS	2.60	2.51
SF/DM	106.36	106.30
GOLD	150.25	148.25

3. CAPITAL AND MONEY MARKETS. SWISS NATIONAL BANK PROVIDED BANKS WITH SF 5 BIL IN CREDITS AND SWAPS TO MEET MONTH-END REQUIREMENTS WITHOUT DIFFICULTY. HOWEVER, BANKS ARE ALREADY CONCERNED ABOUT LIQUIDITY FOR APR 8 WHEN SOME SF 2.6 BIL IN 7-DAY DOLLAR SWAPS WILL BE DUE FOR REPAYMENT. SOME OBSERVERS BELIEVE THAT MARKETS WILL BE LESS NERVOUS AFTER EASTER. CALL MONEY RATE DROPPED TO ONE PCT FRIDAY. STOCK PRICES REMAINED FIRM; SKA INDEX (1959 EQUALS 100) WAS 226.3. CONFEDERATION BONDS SLIPPED TO 3.94, PERHAPS DUE TO SNB PURCHASE OF SF 377 MIL OF THESE BONDS. SWISS BANK CORP BOARD CHAIRMAN TOLD SHAREHOLDERS THAT SNB'S ANTI-INFLATIONARY MONETARY POLICY HAS DEPRESSED INTEREST RATES SO THAT INTEREST MARGINS ALSO HAVE BEEN REDUCED. VOEST-ALPINE AG, VIENNA, HAS ANNOUNCED IT WILL BORROW SF 80 MIL AT 5.5 PCT FOR 15 YEARS.

4. SNB BALANCE SHEET FOR MAR: BALANCE SHEET TOTAL ROSE
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SF 3 BIL FROM END FEB, REFLECTING MONTH-END SWAPS AND CREDITS TO BANKS. BESIDES 7-DAY SWAPS, SNB CONCLUDED SF 511 MIL TO ONE-MONTH DOLLAR SWAPS AND HOLDINGS OF DISCOUNTED PAPER ROSE SF 1.1 BIL FOR END-MAR. GIR CLEARING ACCOUNTS ROSE BY SF 3,743 MIL IN LAST WEEK OF MAR WHILE NOTES IN CIRCULATION INCREASED SF 499 MIL. GIR ACCOUNTS ROSE TO SLIGHTLY OVER SF 10 BIL LIMIT SET BY SNB.

(MAR 31 (CHANGE FROM FEB 28)
(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,904	-	-
FOREIGN EXCHANGE	15,732	UP	2,180
ROOSA BONDS	4,936	DOWN	110
DISCOUNTED PAPER	1,407	UP	862
LOMBARD LOANS	170	DOWN	274
OTHER	929	UP	368

LIABILITIES

NOTES IN CIRC 18,650 UP 11
GIRO ACCOUNTS 10,385 UP 3,414
STERILIZATION
ORDERS 498 DOWN 417
OTHER 5,535 DOWN 3,008
BALANCE SHEET TOT 25,078 UP 3,026
SKA - 226.3

5. BANKS: FIVE LARGEST BANKS (SWISS BANK CORP, UNION
BANK OF SWITZERLAND, CREDIT SUISSE, VOLKSBANK, AND BANK
LEN) SAW THEIR TOTAL BALANCE SHEET ASSETS RISE 28.3
PCT FROM 1975 TO 1976, INCREASE OF SF 35.6 BIL TO SF
161.4 BIL WHICH WAS SOME SF 16 BIL MORE THAN TOTAL SWISS
GNP.

6. RETAIL SALES WERE UP 5.6 PCT IN REAL TERMS IN FEB.
THIS IS THE LARGEST INCREASE SINCE OCT 1974. DAVIS
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Message Attributes

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